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# **Lion Selection Group Limited 2000 Annual Report**

**Financial Statements for the year ended 31 July 2000**





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## Lion Selection Group Limited Directors' Report

The Board of Directors of Lion Selection Group Limited ("Lion") is pleased to submit its report on the operations of the economic entity for the financial year ended 31 July 2000.

The economic entity includes Lion, Australian Selection Pty Ltd, Indophil Resources NL and Havilah Resources NL and their subsidiaries as disclosed in Note 25. The economic entity also equity accounts its investments in Consolidated Minerals Limited, Gallery Gold Limited, Spinifex Gold Limited, Copperbelt Selection NL and Lafayette Mining Limited.

### Principal Activities

The principal activities of the members of the economic entity during the financial year were investment in resource companies and exploration.

### Results

The operating loss after income tax of the economic entity attributable to members of Lion for the financial year was \$2,210,000 (1999 – loss \$2,100,000).

### Dividends

No dividend has been paid, recommended or declared since the end of the preceding financial year.

### Review of Operations

During the year the parent entity made the following investments:

Lafayette Mining Limited	\$5.5 million
Sedimentary Holdings NL	\$1.7 million
Austindo Resources Corporation NL	\$1.5 million
Gallery Gold Limited	\$1.8 million <sup>1</sup>
Indophil Resources NL	\$2.3 million <sup>1</sup>
Havilah Resources NL	\$0.4 million <sup>1</sup>

Specific details of these investments are included elsewhere in this annual report.

<sup>1</sup> *Follow-on investments.*

### Compliance with Environmental Regulation

The Lion board is committed to ensuring that sound environmental management practices are carried out, in particular by those members of the economic entity that are involved in exploration activities and that they at least comply with and strive to exceed the relevant statutory requirements relating to the environment.

Environmental practices are reviewed by the relevant boards to ensure that they reflect developments in technology, current statutory requirements, general industry practice and expected community standards. In particular all drill holes are plugged and capped, drill sites restored and all bush camp sites are left in a similar condition to that in which they were found.

No member of the economic entity has been notified of any environmental breach by any government or other agency.



## Directors

The names and details of the directors in office at the date of this report are:

### ***Ewen W J Tyler, AM BSc (Hons) FAusIMM MIMM Ceng (Non-Executive Chairman)***

Mr Tyler, aged 72, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950's. In the following decade, he worked in mining finance and exploration in London, and on returning to Australia in 1969, initiated exploration which led to the discovery of the Argyle Diamond Mine.

Mr Tyler was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990. He is chairman of Helix Resources NL and a non-executive director of Ashton Mining Limited.

Mr Tyler is the Chairman of the Audit Committee and the Nomination Committee.

### ***Robin A Widdup BSc (Hons) MAusIMM (Managing Director)***

Mr Widdup, aged 48, graduated from the University of Leeds (United Kingdom) with an Honours Degree in Geology in 1975.

From 1975 to 1978 Mr Widdup worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits. He returned to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities. In 1980 Mr Widdup joined Mount Isa Mines Limited as a project geologist in copper/silver, lead and zinc mining, progressing to become the senior geologist of Mount Isa Mines Limited.

Mr Widdup joined J B Were & Son as a base metals analyst in 1986 before his subsequent appointment as a gold and precious metals analyst. In 1990 he was appointed manager of J B Were & Son's Resource Research team. During his time at J B Were & Son, Mr Widdup established himself as one of Australia's leading resources analysts and the Resource Research team under his management was held in the same regard. Mr Widdup resigned from J B Were & Son in 1997 to establish Lion Selection Group Limited.

### ***Malcolm W MacNaught BA MBA (Non-Executive Director)***

Mr MacNaught, aged 63, was a vice president and portfolio manager for Fidelity Investments (Fidelity), the largest mutual fund company and a leading brokerage firm in the United States.

Mr MacNaught joined Fidelity in 1968 as an analyst. Between 1971 and his retirement in late 1996 he managed many Fidelity funds, including the Fidelity Fund and Fidelity Convertible Securities Fund (1971 to 1985), Fidelity Select Precious Metals and Minerals (1981 to 1996), the Fidelity Advisor Global Resources Fund (1988 to 1996) and the Fidelity Select American Gold Portfolio (1985 to 1995). At the time of his retirement, he was a leading figure worldwide in resources investment, managing funds of around US\$1 billion.

### ***J John Craig FCA Dip Bus Studies (Non-Executive Director)***

Mr Craig, aged 51, was previously managing director of gold development for Rio Tinto Group Limited where his principal role was to generate new gold mining investment opportunities with particular focus in the Asia/Pacific region.

Mr Craig has over 20 years experience in arranging finance for mining companies and projects throughout the world and has also held a variety of senior positions in the Rio Tinto Group, largely in the commercial and finance area. He was formerly managing director of CRA Finance which was responsible for developing and implementing the financing strategies and policies for the CRA Group in Australia and overseas.

Mr Craig is a member of the Audit Committee.



## Directors' Meetings

During the year the company held ten directors' meetings. The names of the directors and members of Board Committees are set out above. The attendances of the directors at meetings of the Board and of its Committees were:

	<i>Board of Directors</i>		<i>Audit Committee</i>	
	<i>Attended</i>	<i>Max. possible attended</i>	<i>Attended</i>	<i>Max. possible attended</i>
E W J Tyler	10	10	1	1
R A Widdup	10	10	N/A	N/A
J J Craig	9	10	1	1
M W MacNaught	8	10	N/A	N/A

At the date of this report the company had an Audit Committee of the Board which met once during the year.

## Directors' Benefits

Since the end of the preceding financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full-time employee of the company or a related body corporate, by reason of a contract made by the company or a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

- Mr R A Widdup is a director of Selection (LSG) Management Pty Ltd (the Manager) which was paid management fees amounting to \$1,502,000 during the year in the ordinary course of business on commercial terms and conditions.

## Indemnification

An indemnity agreement has been entered into between Lion and each of the directors of the company named earlier in this report and with the company secretary. Under the agreement, the company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

Lion has paid an insurance premium amounting to \$24,000 in respect of a contract insuring each of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of the economic entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

## Significant Changes in the State of Affairs

Since the end of the preceding financial year, there have been no significant changes in the state of affairs of the economic entity other than those events mentioned elsewhere in this report.



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### Significant Events After Balance Date

Since 31 July 2000, the following significant events have occurred:

- Lion has invested \$5.0 million in Austminex NL.
- Lion's subsidiary, Indophil Resources NL, is raising additional equity capital to fund its on going operations. As a result, Lion's current interest in Indophil has been diluted to 67%. The full extent of the dilution will not be known until Indophil's capital raising is complete.
- Lion announced that it had agreed to sell the majority of its investment in Consolidated Minerals Limited realising a profit of up to \$7.5 million.

Except as noted above, there is no matter or circumstance that has arisen since 31 July 2000 that has or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity.

### Directors' Shareholding

At the date of this report the interests of the directors in the ordinary shares of Lion Selection Group Limited were:

<i>Director</i>	<i>No. of Shares</i>
E W J Tyler	10,000
R A Widdup	396,500
J J Craig	100,000
M W MacNaught	70,000

There are no options on issue. No director has any interest in the company's related body corporates.

Refer to page 33 for additional shareholder information.



## Emoluments of Directors and Officers

Emoluments of board members and senior executives are determined on the basis of market conditions and the level of responsibility associated with their position.

The parent entity's prospectus stated that its *raison d'être* was the provision of patient equity capital. Lion has only been operating since July 1997. Given the long term nature of its investments, not enough time has elapsed to enable these investments to mature in order for Lion to realise value from them. Consequently it is not relevant at this stage to measure the company's performance against its emoluments policy.

Details of remuneration provided to directors and the top five executive officers are as follows:

<i>Name</i>	<i>Notes</i>	<i>Salaries/Fees \$'000</i>	<i>Superannuation \$'000</i>	<i>Total \$'000</i>
<b>Directors</b>				
E W J Tyler	(a)	87	-	87
J J Craig		61	4	65
M W MacNaught		65	-	65
R A Widdup	(b)	-	-	-
<b>Officers</b>				
T W Robbins	(c)	137	10	147
C N Middleton	(c)	127	9	136
I J McAleese	(d)	134	4	138
T A Ward	(d)	122	16	138
P R Taylor		100	25	125

- (a) Includes fees totalling \$12,000 paid to EWJ Tyler & Associates, a firm in which EWJ Tyler is a principal, as a retainer and for technical services rendered.
- (b) Mr Widdup was remunerated by the Manager, Selection (LSG) Management Pty Ltd of which he is a director, which received management fees totalling \$1,502,000 from Lion.
- (c) Executive Officers of Indophil Resources NL.
- (d) Executive Officers of AFL Management Limited (a subsidiary of Australian Selection Pty Ltd).

## Likely Developments and Future Results

The economic entity's future operating results will depend on the results of its investments.

There are a wide variety of risks associated with the resources industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. These risks emphasise the speculative nature of many of Lion's investments.

Because of the vagaries of the resources industry and the long term nature of most of Lion's investments, the directors are unable to predict future results.



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### **Rounding of Amounts**

The parent entity is a company of the kind specified in Australian Securities and Investment Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of directors.

.....  
**E W J Tyler**  
Chairman

.....  
**R A Widdup**  
Managing Director

Melbourne  
23 October 2000



## Lion Selection Group Limited

### Profit and Loss Statement for the Year Ended 31 July 2000

	Notes	Consolidated		Parent	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>Operating profit/(loss) before abnormal items and income tax</b>	2	(2,153)	687	(71)	645
Abnormal items (nil tax effect)					
Share of associates' results	27	-	(2,626)	-	-
Provision for diminution in value of subsidiary		-	-	(1,030)	(417)
<b>Total abnormal items</b>		-	(2,626)	(1,030)	(417)
<b>Operating profit/(loss) before income tax</b>		(2,153)	(1,939)	(1,101)	228
Income tax (expense)/benefit attributable to operating profit/(loss)	3	(139)	(193)	8	(184)
<b>Operating profit/(loss) after income tax</b>		(2,292)	(2,132)	(1,093)	44
Outside equity interests in operating result after income tax		82	32	-	-
<b>Operating profit/(loss) attributable to members of Lion Selection Group Limited</b>		(2,210)	(2,100)	(1,093)	44
Accumulated losses at the beginning of the financial year		(4,213)	(2,043)	(1,784)	(1,828)
Adjustment on adoption of new accounting standard		-	(70)	-	-
<b>Accumulated losses at the end of the financial year</b>		(6,423)	(4,213)	(2,877)	(1,784)
<b>Earnings per share</b>	29				

*The accompanying notes form an integral part of this profit and loss statement*



## Lion Selection Group Limited Balance Sheet as at 31 July 2000

	Notes	Consolidated		Parent	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>Current Assets</b>					
Cash	4	37,628	54,043	33,142	45,973
Receivables	5	509	876	358	655
Investments	6	1,318	2,566	-	-
Other	7	54	30	32	15
<b>Total Current Assets</b>		39,509	57,515	33,532	46,643
<b>Non Current Assets</b>					
Investments	8	50,976	35,770	63,989	52,262
Exploration properties	9	5,649	5,003	-	-
Plant and equipment	10	182	188	-	-
<b>Total Non Current Assets</b>		56,807	40,961	63,989	52,262
<b>Total Assets</b>		96,316	98,476	97,521	98,905
<b>Current Liabilities</b>					
Accounts payable	11	679	618	203	176
Provisions	12	166	294	9	247
<b>Total Current Liabilities</b>		845	912	212	423
<b>Non Current Liabilities</b>					
Provisions	13	105	158	77	157
<b>Total Non Current Liabilities</b>		105	158	77	157
<b>Total Liabilities</b>		950	1,070	289	580
<b>Net Assets</b>		95,366	97,406	97,232	98,325
<b>Shareholders' Equity</b>					
<i>Shareholders' equity attributable to members of Lion Selection Group Limited</i>					
Share capital	14	100,109	100,109	100,109	100,109
Accumulated losses		(6,423)	(4,213)	(2,877)	(1,784)
		93,686	95,896	97,232	98,325
<i>Shareholders' equity attributable to outside equity interests</i>					
Share capital		2,085	1,969	-	-
Accumulated losses		(405)	(459)	-	-
		1,680	1,510	-	-
<b>Total Shareholders' Equity</b>		95,366	97,406	97,232	98,325

The accompanying notes form an integral part of this balance sheet



## Lion Selection Group Limited

### Statement of Cash Flows for the Year Ended 31 July 2000

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent</i>	
		<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
<b><i>Cash flows from operating activities</i></b>					
Interest and bill discounts received		2,906	3,667	2,495	3,103
Management and other fees received		1,069	434	46	13
Payments to suppliers and employees		(3,189)	(2,681)	(2,313)	(2,147)
Dividends received		8	74	11	-
Income tax paid		(313)	(304)	(313)	(304)
<b><i>Net operating cash flows</i></b>	16(b)	481	1,190	(74)	665
<b><i>Cash flows from investing activities</i></b>					
Purchase of controlled entities	25	-	-	-	(1,035)
Payments for equity securities		(17,073)	(29,902)	(13,082)	(22,786)
Proceeds from sale of controlled entities	25(b)	(325)	-	-	-
Proceeds from sale of equity securities		2,626	3,741	325	-
Payments for plant and equipment		(110)	(3)	-	-
Payments for exploration and evaluation		(2,014)	(1,363)	-	-
<b><i>Net investing cash flows</i></b>		(16,896)	(27,527)	(12,757)	(23,821)
<b><i>Cash flows from financing activities</i></b>					
Issue of shares to outside equity interests		-	15	-	-
<b><i>Net financing cash flows</i></b>		-	15	-	-
<b><i>Net increase/(decrease) in cash held</i></b>		(16,415)	(26,322)	(12,831)	(23,156)
Exchange rate variance		-	2	-	-
Cash at beginning of financial period		54,043	80,363	45,973	69,129
<b><i>Cash at end of financial period</i></b>	16(a)	37,628	54,043	33,142	45,973

*The accompanying notes form an integral part of this statement of cash flows.*



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## Lion Selection Group Limited Notes to the Financial Statements

### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Law, Australian Accounting Standards and Urgent Issues Group Consensus Views. The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets except for shares and options in listed companies held for resale, which are stated at market value.

There have been no changes in accounting policies from the previous year.

#### *Comparatives*

Where applicable, comparatives have been adjusted to disclose them on a comparable basis with the current year figures.

#### *Principles of Consolidation*

The consolidated financial statements include the financial statements of the parent entity, Lion Selection Group Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Economic Entity".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

#### *Foreign Currency Transactions*

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date; and
- the financial statements of all foreign operations are translated using the temporal method as they are considered integrated.

Exchange differences relating to monetary items are included in the profit and loss account, as exchange gains or losses, in the period when the exchange rates change, except where:

- the exchange difference relates to the cost of acquisition of an asset under construction or otherwise being made ready for future productive use by the economic entity in its own operations, or under construction for another entity pursuant to a construction contract. In these cases the exchange difference is included in the cost of the asset;
- the exchange difference relates to hedging part of the net investment in an integrated foreign operation, in which case the exchange difference is charged/credited to the profit and loss statement on consolidation; or
- the exchange difference relates to a transaction intended to hedge the purchase or sale of goods or services, in which case the exchange difference is included in the measurement of the purchase or sale.



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### ***Mining Activities***

Accounting policies relating to the economic entity's exploration and mining activities are as follows:

#### ***Exploration, Evaluation and Development Expenditure***

Exploration and evaluation expenditure is initially capitalised on an area of interest basis. From time to time and at balance date each area of interest is reviewed. If it is determined that expenditure on a particular area of interest will not be recouped by future exploitation or sale, that expenditure is then charged against earnings.

If, at balance date, exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing, the relevant expenditures remain capitalised.

Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or sale, of the respective areas of interest.

Development expenditure will also be capitalised to the extent that such costs, together with capitalised exploration and evaluation costs, are expected to be recouped through the successful exploitation or sale of the area of interest.

Capitalised expenditures on exploration, evaluation and development are amortised over the life of the area of interest to which they relate. Amortisation charges are determined on a production output or time basis as appropriate.

Amortisation is not charged until production commences. Unamortised expenditure relating to an area of interest is written off in the period that abandonment is decided.

#### ***Restoration and Rehabilitation***

Provision is made for anticipated costs of restoration and rehabilitation necessitated by disturbance arising from exploration, evaluation, development and production activity, and form part of the costs of the respective phases of operations.

Restoration and rehabilitation costs are accumulated in the provision on a production output basis commencing in the period that disturbance occurs. Costs included in the provision comprise land reclamation, plant removal and on-going revegetation programs. The provision is determined based on anticipated future costs, utilising known technology, discounted to present values. Changes in estimates of future costs or in the discount rate are reflected in the provision on a prospective basis over the remaining life of the project.

### ***Income Tax***

The financial statements apply the principles of tax-effect accounting. The income tax expense in the profit and loss account represents the tax on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

Future income tax benefits and the benefit arising from estimated carry forward tax losses are only recorded where realisation of such benefit is considered to be virtually certain.



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### ***Short Term Investments***

Short term investments are valued at market. Profits or losses resulting from market fluctuations are brought to account when they occur.

### ***Recoverable Amounts of Non Current Assets***

All non current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows (if applicable) on a discounted basis.

### ***Associated Entities***

Interests in associated entities are included in non-current investments. The economic entity uses the equity method of accounting for its investments in associated entities. Under this method the investment in associates is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associate. The investment in associated entities is decreased by the amount of dividends received or receivable. Investments in associates are carried at the lower of cost and recoverable amount in the accounts of the parent entity.

Detailed entity accounting information concerning the economic entity's interests in material associated entities is provided in Note 27.

### ***Joint Ventures***

An interest in a joint venture is brought to account by including in the respective financial statement categories:

- the economic entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the economic entity in relation to the joint venture including the economic entity's share of any liabilities for which the economic entity is jointly and/or severally liable; and
- the economic entity's share of expenses of the joint venture.

### ***Other Investments***

Interests in non-subsiary, non-associated corporations are included in investments at the lower of cost or recoverable amount. Dividend income is brought to account when received.

### ***Leased Assets***

Assets acquired under finance leases are capitalised and amortised over the life of the relevant lease or, where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability.

Operating lease assets are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.



### ***Plant and Equipment***

Plant and equipment is depreciated over the useful economic lives as follows:

	<b><i>Life</i></b>	<b><i>Method</i></b>
Leasehold improvements	5 years	Straight line
Owned Plant and Equipment	2-5 years	Straight line

### ***Goodwill on Acquisition***

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Purchased goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, which is currently to a maximum of twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

### ***Cash***

For the purpose of Balance Sheet classification and the Statement of Cash Flows, cash includes cash at bank, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of bank overdrafts if applicable.

### ***Financial Instruments included in assets***

Bank deposits and bills of exchange are carried at cost. Interest is recognised on a straight line accruals basis. Investments in trading securities are carried at market value, whilst long term investments are carried at cost. If the directors believe a permanent diminution in value of long term investments has occurred, a provision is raised.

### ***Financial Instruments included in liabilities***

Accounts payable are recorded at cost.

### ***Financial Instruments included in equity***

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

### ***Provision for Employee Entitlements***

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave. Provision for long service leave is only made when an employee has been in the employ of a member of the economic entity for at least 5 years. No provision is made for sick leave.



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>NOTE 2 OPERATING LOSS (including abnormal items)</b>				
The operating profit/(loss) has been determined after crediting the following revenues:				
<i>Sales revenues</i>				
Sales of equity securities	2,940	3,329	325	-
Management and other fees received	1,028	522	45	13
<i>Other operating revenues</i>				
Interest from unrelated parties	2,606	3,436	2,166	2,830
Dividends	8	74	11	-
Exchange gain	74	-	-	-
Sale of controlled entity	325	-	-	-
Other	8	-	-	-
<b>Total operating revenues</b>	<b>6,989</b>	<b>7,361</b>	<b>2,547</b>	<b>2,843</b>
The operating profit/(loss) has been determined after charging the following expenses:				
Depreciation	113	84	-	-
Less depreciation capitalised	63	63	-	-
Depreciation charged	50	21	-	-
Exploration and evaluation expenditure written off	1,849	436	-	-
Provision for employee entitlements	38	37	4	5
Management fees	1,502	1,502	1,502	1,502
Operating lease rentals	140	150	63	60
Net loss on equity securities	-	522	-	-
Goodwill written off	-	12	-	-
Share of associates' results	217	2,626	-	-
Provision for diminution in investments	1,100	-	1,030	417



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>NOTE 3 INCOME TAX EXPENSE</b>				
The difference between income tax provided in the financial statements and the prima facie income tax expense/(benefit) is reconciled as follows:				
Operating profit/(loss) before tax	(2,153)	(1,939)	(1,101)	228
Prima facie tax expense/(benefit) at 36%	(775)	(698)	(396)	82
Tax effect of permanent differences:				
▪ Differential tax rates	(108)	(125)	121	(25)
▪ Share of net results of associates	78	945	-	-
▪ Exploration expenditure written off	369	-	-	-
▪ Provision for diminution in value of investments	396	-	257	104
▪ Other non deductible items	1	10	-	-
▪ Non assessable income	(3)	(27)	(3)	-
▪ Other	(2)	(34)	2	-
Amount underprovided/(overprovided) in prior years	(8)	23	(8)	23
Prior years' tax losses recouped	(152)	(112)	-	-
Future income tax benefits not brought to account	343	211	21	-
Income tax expense/(benefit) attributable to operating profit/(loss)	139	193	(8)	184
Future income tax benefits arising from tax losses and mining expenditure not brought to account *	1,589	1,602	21	-
<b>NOTE 4 CASH</b>				
Cash at bank	942	10,640	465	7,023
Cash held by custodian	1,599	337	-	-
Bank bills and deposits	35,087	43,066	32,677	38,950
	37,628	54,043	33,142	45,973
<b>NOTE 5 RECEIVABLES (CURRENT)</b>				
Accrued interest	398	701	316	645
Other debtors	111	175	42	10
	509	876	358	655

\* *These benefits will only be obtained if sufficient future assessable income is derived to enable the benefit to be realised, the conditions of deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the economic entity in realising the benefit.*



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>NOTE 6 INVESTMENTS (CURRENT)</b>				
Short term investments	1,318	2,566	-	-
Short term investments comprise listed securities which are recorded at market value. The cost of these investments was \$1,736,000 (1999 cost \$3,669,000).				
<b>NOTE 7 OTHER (CURRENT)</b>				
Prepayments	54	30	32	15
<b>NOTE 8 INVESTMENTS (NON CURRENT)</b>				
Investments in subsidiaries	-	-	27,874	25,874
Provision for diminution	-	-	(2,265)	(1,235)
	-	-	25,609	24,639
Investment in associated entities	20,921	11,363	-	-
Shares in associated entities at cost	-	-	22,667	16,868
Other investments at cost	31,155	24,407	15,713	10,755
	52,076	35,770	63,989	52,262
Provision for diminution	(1,100)	-	-	-
Total investments	50,976	35,770	63,989	52,262
Total listed investments included above	28,918	15,988	25,492	13,060
Market value at 31 July 2000 of listed investments	48,775	18,234	41,293	12,327
<b>NOTE 9 EXPLORATION PROPERTIES (NON CURRENT)</b>				
Balance at beginning of year	5,003	2,231	-	-
Acquisitions and expenditure	2,495	3,208	-	-
	7,498	5,439	-	-
Costs written off	(1,849)	(436)	-	-
Balance at end of year	5,649	5,003	-	-

The value of exploration properties includes assessed values of properties at the time of acquisition of any controlled entity, exploration expenditures incurred and costs of properties purchased.

The ultimate recoupment of costs carried forward is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>NOTE 10 PLANT AND EQUIPMENT (NON CURRENT)</b>				
Plant and equipment at cost	432	325	-	-
Less accumulated depreciation	250	137	-	-
	182	188	-	-
<b>NOTE 11 ACCOUNTS PAYABLE (CURRENT)</b>				
Sundry creditors and accruals (unsecured)	553	457	77	50
Payable to director related entities	126	161	126	126
	679	618	203	176
<b>NOTE 12 PROVISIONS (CURRENT)</b>				
Income tax	119	249	-	242
Employee entitlements	47	45	9	5
	166	294	9	247
<b>NOTE 13 PROVISIONS (NON CURRENT)</b>				
Deferred income tax	105	158	77	157
<b>NOTE 14 SHARE CAPITAL</b>				
Paid up capital:				
100,108,905 ordinary shares (1999 – 100,108,905 ordinary shares)	100,109	100,109	100,109	100,109
<b>NOTE 15 FRANKING CREDITS</b>				
C class franking account balance available	1,212	986		



**NOTE 16 NOTES TO THE STATEMENT OF CASH FLOWS**

- (a) For the purpose of Balance Sheet classification and the Statement of Cash Flows, cash includes cash at bank, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of bank overdrafts if applicable.

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related item in the Balance Sheet as follows:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
Cash at bank	942	10,640	465	7,023
Cash held by custodian	1,599	337	-	-
Bank bills and deposits	35,087	43,066	32,677	38,950
	37,628	54,043	33,142	45,973

- (b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax:

Operating profit/(loss) after income tax	(2,292)	(2,132)	(1093)	44
Adjustments for non-cash income and expense items:				
Movement in provision for:				
Income tax payable	(123)	(33)	(242)	(40)
Deferred income tax	(52)	(79)	(80)	(80)
Diminution in value of investments	1,100	-	1,030	417
Depreciation and amortisation	50	33	-	-
Trading securities valuation adjustment	(492)	141	-	-
Exploration expenditure written off	1,849	436	-	-
Equity accounted losses	217	2,625	-	-
Exchange gain	(74)	-	-	-
Other	(110)	(12)	-	-
Changes in assets and liabilities net of effects from purchase of controlled entities:				
(Increase)/decrease in assets				
Receivables	572	174	297	272
Prepayments	(24)	54	(17)	32
(Decrease)/increase in liabilities				
Accounts payable	(142)	(26)	27	15
Employee entitlements	2	9	4	5
Net cash from operating activities	481	1,190	(74)	665



<i>Consolidated</i>		<i>Parent</i>	
<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>

**NOTE 17 COMMITMENTS**

(a) Operating lease expenditure contracted for is payable as follows:

Not later than one year	94	93	68	58
Later than one year but not later than two years	71	3	71	-
Later than two years but not later than five years	68	-	68	-
Later than five years	-	-	-	-
	233	96	207	58

Operating leases are entered into as a means of acquiring access to office premises. Rental payments are generally fixed but with escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases.

(b) Management fee payable:

Not later than one year	1,502	1,502	1,502	1,502
Later than one year but not later than two years	1,502	1,502	1,502	1,502
Later than two years but not later than five years	-	1,502	-	1,502
Later than five years	-	-	-	-
	3,004	4,506	3,004	4,506

(c) Exploration expenditure commitments

Not later than one year	1,531	-	-	-
Later than one year but not later than two years	974	-	-	-
Later than two years but not later than five years	128	-	-	-
Later than five years	-	-	-	-
	2,633	-	-	-

Exploration commitments not estimated in previous year.

**NOTE 18 CONTINGENT LIABILITIES**

The Parent Entity is obliged to pay the Manager a bonus management fee if the market capitalisation of the company during the month of July in any year exceeds the amount of issued capital increased on a compounding basis by the lesser of 15% pa and the long term bond rate plus 5%.

The bonus payable is 20% of this excess. A bonus would only have been payable to the Manager if Lion's daily weighted average share price had exceeded \$1.37 for the month of July 2000.

It is not possible to quantify the future financial effect of this potential commitment as it is dependent upon market conditions which will affect the company's future share price and future interest rates.



## NOTE 19 FINANCIAL INSTRUMENTS

### (a) Interest Rate Risk

The economic entity is exposed to interest rate risk in respect to its primary financial assets. The interest rate risk exposures together with the effective interest rate for each class of financial assets and financial liabilities at balance date are summarised as follows:

	<i>Floating Interest Rate* \$000</i>	<i>Fixed Interest Rate \$000</i>	<i>Non-Interest Bearing \$000</i>	<i>Total \$000</i>	<i>Average Interest Rate</i>	
					<i>Floating %</i>	<i>Fixed %</i>
<b>2000</b>						
<b>Financial Assets:</b>						
Cash	942	-	-	942	3.50	-
Bank bills and deposits	-	35,087	-	35,087	-	6.09
Cash held by custodian	1,599	-	-	1,599	5.75	-
Receivables	-	-	509	509	-	-
Investments	-	2,610	49,684	52,294	-	9.20
<b>Financial Liabilities:</b>						
Accounts payable	-	-	679	679	-	-
<b>1999</b>						
<b>Financial Assets:</b>						
Cash	10,640	-	-	10,640	3.91	-
Bank bills and deposits	-	43,066	-	43,066	-	5.02
Cash held by custodian	337	-	-	337	4.60	-
Receivables	-	-	876	876	-	-
Investments	-	1,610	36,726	38,336	-	10.00
<b>Financial Liabilities:</b>						
Accounts payable	-	-	618	618	-	-

\* *Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.*

At year end the economic entity held four series of convertible notes totalling \$2,610,000 (1999 - \$1,610,000). The average coupon rate was 9.2%. The notes have varying maturity dates and convert into ordinary shares at various conversion rates.

### (b) Credit Risk

Credit exposure represents the extent of credit related losses that the economic entity may be subject to on amounts to be received from financial assets.

The credit risk in respect of financial assets of the economic entity (excluding investments in shares) recognised on the balance sheet is the carrying amount. Bills of exchange which have been purchased at a discount to face value are carried on the balance sheet at their discounted purchase price. Credit risk with respect to cash and bank bills is minimised by spreading investments between two of Australia's major banks.



(c) Foreign Exchange

The economic entity is exposed to foreign currency exchange risk through the primary financial assets and liabilities of its offshore investments.

(d) Net Fair Value

The carrying amounts and estimated net fair values of financial assets and financial liabilities held by the economic entity at balance date are given below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs:

	<i>Carrying Amount</i>		<i>Aggregate Net Fair Value</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Financial Assets:</b>				
Cash	942	10,640	942	10,640
Bank bills and deposits	35,087	43,066	35,087	43,066
Cash held by custodian	1,599	337	1,599	337
Receivables	509	876	509	876
Short term investments	1,318	2,566	1,318	2,566
Long term investments				
Associated entities	20,921	11,363	42,213	12,965
Other listed securities	8,254	4,625	10,346	5,269
Unlisted securities	21,801	19,782	28,672	23,231
<b>Financial Liabilities:</b>				
Accounts Payable	679	618	679	618

**NOTE 20 SUPERANNUATION COMMITMENTS**

No member of the economic entity has its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, members of the economic entity were contributing to various approved superannuation funds at the choice of employees at a minimum rate of 8% of salaries paid.

Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.



## NOTE 21 DIRECTORS' INCOME

The numbers of directors of the parent entity who were paid or were due to be paid income, including salaries and contributions to superannuation funds directly or indirectly from the company or any related party as shown in the following bands, were:

<i>Income band</i>	<i>No. of Directors</i>	
	<i>2000</i>	<i>1999</i>
\$0 - \$9,999	1	1
\$60,000 - \$69,999	2	2
\$80,000 - \$89,999	1	1

The aggregate income paid to the directors referred to above during the financial year amounted to \$217,000 (1999 - \$217,000). The aggregate income paid to all directors of each entity in the economic entity by the entities of which they are directors or by any related party amounted to \$638,000 (1999 - \$558,000).

## NOTE 22 EXECUTIVES' INCOME

The number of executive officers whose total income for the year exceeded \$100,000 and whose income falls within the following bands, were:

<i>Income band</i>	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
\$120,000 - \$129,999	1	1	1	1
\$130,000 - \$139,999	3	-	-	-
\$140,000 - \$149,999	1	1	-	-
\$150,000 - \$159,999	-	1	-	-

The aggregate income of the executives referred to above amounted to \$684,000 (1999 - \$422,000).

Income of executives comprises amounts paid or payable to executive officers domiciled in Australia directly or indirectly by the economic entity or any related party including salaries and contributions to superannuation funds in connection with the management of the affairs of the entity or economic entity, whether as executive officers or otherwise.

## NOTE 23 REMUNERATION OF AUDITORS

Remuneration received or due and receivable by the auditor of the parent entity and its affiliates for:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
▪ audit or review of the financial statements	69	49	36	28
▪ other services	27	24	21	20

Remuneration received or due and receivable by auditors other than the auditor of the parent entity and its affiliates:

▪ audit or review of the financial statements	3	5	-	-
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## NOTE 24 RELATED PARTY DISCLOSURES

### (a) Directors

The following persons held the position of director of Lion Selection Group Limited during the year ended 31 July 2000: E W J Tyler, R A Widdup, M W MacNaught, J J Craig.

### (b) Directors' Shareholdings

	<i>2000</i>	<i>1999</i>
Aggregate number of shares in the parent entity acquired during the year:	120,000	46,500
Aggregate number of shares in the parent entity held at the end of the year:	576,500	456,500

No director of the parent entity held shares or options in controlled entities. The parent entity does not have any options on issue.

### (c) Other Director Transactions

During the year, in the ordinary course of business, the parent entity paid management fees on commercial terms totalling \$1,502,000 to Selection (LSG) Management Pty Ltd of which Mr RA Widdup is a director. It also reimbursed expenses totalling \$11,000 (1999 - \$10,000) and received reimbursement of expenses amounting to \$120,000 (1999 - \$111,000) from Selection (LSG) Management Pty Ltd.

Havilah Resources NL paid the following amounts to director related entities for management and administration services:

- \$132,542 to Geocom Pty Ltd, a company in which C W Giles has a substantial interest.
- \$55,611 to Maptek Pty Ltd, a company in which K R Johnson has a substantial interest.

### (d) Ultimate Controlling Entity

The ultimate controlling entity is Lion Selection Group Limited. The ownership interests in controlled entities are set out in Note 26.

### (e) Transactions with Associated Entities

The following transactions with associated entities occurred during the year:

	<i>Directors fees received</i>		<i>Interest received/receivable</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Consolidated Minerals Limited	12	13	40	-
Spinifex Gold Limited	15	-	-	-
Gallery Gold Limited	10	-	30	23
Lafayette Mining Limited	8	-	-	-



## NOTE 25 CONTROLLED ENTITIES

- (a) The consolidated financial statements at 31 July 2000 include the following controlled entities. Each controlled entity has the same balance date as the parent entity:

<i>Name of controlled entity</i>	<i>Notes</i>	<i>Place of incorporation</i>	<i>% of shares held</i>	
			<i>2000</i>	<i>1999</i>
Controlled entities of Lion Selection Group Limited				
Australian Selection Pty Ltd		Australia	100	100
Indophil Resources NL		Australia	80	72
Havilah Resources NL	(2)	Australia	61	54
Copperbelt Selection NL		Australia	36	100
Controlled entity of Australian Selection Pty Ltd				
AFL Management Ltd	(1)	Mauritius	53	53
Controlled entities of Indophil Resources NL				
Indophil Resources (Philippines) Inc	(1)(3)	Philippines	100	100
Osprey Mineral Exploration Corp	(1)(4)	Philippines	100	100
Pulong Ilog Mineral Exploration Corp	(1)(4)	Philippines	100	100
San Leonardo Mineral Exploration Corp	(1)(4)	Philippines	100	100
San Eduardo Mineral Exploration Corp	(1)	Philippines	100	100
San Christo Mineral Exploration Corp	(1)	Philippines	100	100
Indophil Resources Exploration Services (India) Pte Ltd	(1)(5)	India	100	100
Southern Philippines Exploration Pty Ltd	(5)	Australia	100	100
Southern Exploration Corporation	(1)(6)	Philippines	100	100
Luzon Resources Pty Ltd	(5)	Australia	100	100
Omega Mineral Exploration Corp	(1)	Philippines	100	80
Visayan Resources Pty Ltd	(5)	Australia	100	100
Xenia Mineral Exploration Corp	(1)	Philippines	100	80

- (1) These companies have been audited by affiliates of the parent entity auditor.
- (2) This company is audited by a firm other than the parent entity auditors or their affiliates.
- (3) 40% owned by Indophil Resources NL which has a call option over the remaining 60%, which is an economic interest of 100%.
- (4) 60% owned by Indophil Resources (Philippines) Inc, balance owned by Indophil Resources NL.
- (5) 100% owned by Indophil Resources NL.
- (6) 100% owned by Southern Philippines Exploration Pty Ltd.



**(b) Controlled Entities Sold**

During the year Lion sold shares in Copperbelt Selection NL (Copperbelt) representing 50% of the share capital of that company. Copperbelt subsequently issued shares to other parties and, as a consequence, Lion's direct ownership decreased from 100% to 36%.

The carrying amounts of assets and liabilities disposed of are:

	<i>Consolidated</i>	
	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>
Cash	650	-
Other Assets	-	-
Liabilities	-	-
Net assets of entity sold	650	-
Proceeds from disposal (cash)	325	-
<b>Outflow of cash on disposal of entity net of cash disposed</b>		
Cash proceeds	325	-
Cash balance disposed	650	-
Outflow of cash	325	-

**(c) Material acquisitions of controlled entities**

(i) There were no acquisition of controlled entities during the year ended 31 July 2000. Details of controlled entities acquired during the year ended 31 July 1999 are:

<i>Name of controlled entity and date of acquisition</i>	<i>Beneficial Interest</i>	<i>Consideration \$000</i>	<i>Fair value of net tangible assets acquired \$000</i>
<b>Year ended 31 July 1999</b>			
Copperbelt Selection NL			
acquired 15 October 1998	100%	650	650
AFL Management Limited			
acquired 26 April 1999	53%	16	31
Havilah Resources NL			
acquired 30 July 1999	54%	1,211	1,965



(ii) Assets and liabilities of controlled entities acquired by the Lion group during the year by major class:

	<i>Consolidated</i>	
	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
Cash	-	859
Plant and equipment	-	30
Exploration properties/mining rights	-	1,827
Receivables	-	-
Other	-	-
Accounts payable	-	(85)
	-	2,631
Outflow of cash on acquisition of controlled entities:		
Cash consideration		
Current year	-	1,059
Prior year	-	826
	-	1,885
Cash balance acquired	-	859
Net cash consideration	-	1,026

#### **NOTE 26 MATERIAL INVESTMENTS**

Other than investments in controlled entities and associated entities, the economic entity had the following material investments at year end:

	<i>Carrying Amount</i>		<i>Lion Ownership</i>	
	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>	<i>2000</i> <i>%</i>	<i>1999</i> <i>%</i>
East African Gold Mines Ltd	9,810	8,551	13	12
Mining Project Investors Pty Ltd	6,067	6,067	16	16
Sedimentary Holdings Ltd	2,252	602	19	5
Austindo Resources Corporation NL	1,953	453	14	5
African Lion Limited	3,103	1,543	19	19

Each of the above companies is involved in the resources industry.



## NOTE 27 ASSOCIATED ENTITIES

Consolidated Minerals Limited, Gallery Gold Limited, Spinifex Gold Limited, Lafayette Mining Limited and Copperbelt Selection NL are associates of the economic entity.

The operations of these companies are more fully described in the operations section of this annual report.

### (a) Details of interests in associated entities

<i>Name and principal activity</i>	<i>Reporting Date</i>	<i>Ownership interest</i>		<i>Carrying amount</i>	
		<i>2000</i> <i>%</i>	<i>1999</i> <i>%</i>	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
Copperbelt Selection NL					
Exploration	31 July	36	100 *	257	-
Consolidated Minerals Limited					
Mining	30 June	31	34	5,898	3,814
Gallery Gold Limited					
Exploration	30 June	49	31	3,090	2,123
Spinifex Gold Limited					
Exploration	30 June	24	38	6,456	5,426
Lafayette Mining Limited					
Exploration	30 June	23	-	5,220	-
				20,921	11,363

\* *Controlled entity in prior year.*

	<i>2000</i> <i>\$000</i>	<i>1999</i> <i>\$000</i>
<b>(b) Net share of associates' results</b>		
Operating losses before tax	217	2,626
Income tax expense	-	-
	217	2,626

### (c) Aggregate carrying amount of investment in associates

Balance at beginning of year	11,363	1,609
Movements during the year		
Investments acquired	9,775	13,490
Share of net result (inclusive of effect of change in ownership interest)	(217)	(2,626)
Adjustment on adoption of new accounting standard	-	(70)
Adjustment for associate now a controlled entity	-	(1,040)
Balance at end of year	20,921	11,363



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	<i>2000</i>	<i>1999</i>
	<i>\$000</i>	<i>\$000</i>
<hr/>		
(d) <b>Financial summary of associates</b>		
Total assets	71,725	33,260
Total liabilities	21,570	11,134
Net loss	5,746	6,049 *
<i>* Excludes an extraordinary gain of \$20.1 million relating to the reconstruction and recapitalisation of Consolidated Minerals Limited.</i>		
(e) <b>Expenditure commitments</b>		
The economic entity's share of its associates' expenditure commitments is as follows:		
Mineral tenements	1,322	617
Operating leases	300	206
Finance leases	27	44
Hire purchase agreements	255	-
Capital expenditure	915	-
	<hr/> 2,819	<hr/> 867

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In addition to the above, properties in Tanzania held by Spinifex Gold Limited have work commitments amounting to approximately US\$3.97 million (Lion's share US\$0.94 million), of which approximately US\$2.2 million is being met by Ashanti Goldfields Limited under a joint venture agreement. Should Ashanti fail to meet these commitments, then Spinifex will become liable for them. Further, Spinifex has commitments under various mineral tenement acquisition agreements whereby Spinifex is obliged to pay up to \$29,000 per quarter (Lion's share \$6,900 per quarter) whilst continuing to explore the tenements and up to \$2,159,000 (Lion's share \$513,000) subject to certain conditions being met.

(f) **Contingent liabilities**

The Consolidated Minerals group has issued performance bonds totalling \$583,500 (Lion's share \$180,300) which can be called upon if rehabilitation and restoration conditions are not met. In addition, Consolidated could, under certain circumstances, be liable for termination benefits of \$250,000 (Lion's share \$77,300) under a service agreement with one of its directors.

A former consultant of a subsidiary of Lafayette Mining Limited has lodged a claim of approximately \$250,000 (Lion's share \$58,000) for wrongful dismissal after being dismissed for the alleged theft of plant and equipment.

(g) **Dissimilar Accounting Policy**

During the previous year, Consolidated Minerals Limited recorded an extraordinary gain of \$20.089 million on the forgiveness of debts pursuant to a Deed of Company Arrangement. This gain was not included for equity accounting purposes as the directors of the parent entity believed that such inclusion would distort the consolidated financial statements.



(h) **Subsequent Events**

Since the end of the year the following subsequent events relating to associated entities have occurred:

- (i) Gallery Gold Limited announced a placement of 30 million shares to raise \$3.0 million. Lion has agreed to subscribe for 10.0 million Gallery shares.
- (ii) Lafayette Mining Limited announced that it had signed documentation with Standard Bank London Limited to provide bridging finance of US\$3.0 million to fund the continuing development of the Rapu Rapu project in the Philippines. As consideration for this facility, Lafayette issued 25.0 million options to Standard Bank exercisable at 20 cents each on or before 7 July 2002.

**NOTE 28 INTEREST IN JOINT VENTURES**

The economic entity has interests in unincorporated joint ventures (JV) as follows:

<i>Name of Joint Venture</i>	<i>Activity</i>	<i>Interest held/ to be earned</i>
Indophil Group		
Manat JV	Mineral exploration	50%
Havilah Resources NL		
Sandstone JV	Mineral exploration	9%
Desertex Highlands Rocks JV	Mineral exploration	51%

Exploration expenditure incurred on the above joint ventures is included as a non current asset under the heading Exploration Properties.

**NOTE 29 EARNINGS PER SHARE**

Basic earnings per share, based on a weighted average number of shares on issue during the period of 100,108,905 shares (1999 – 100,108,905 shares), was –2.2 cents per share (1999, -2.1 cents per share).

Diluted earnings per share is not materially different to basic earnings per share as there are no potential dilutive ordinary shares on issue at the reporting date.

**NOTE 30 SUBSEQUENT EVENTS**

Since 31 July 2000, the following subsequent events have occurred:

- Lion has invested \$5.0 million in Austminex NL.
- Lion's subsidiary, Indophil Resources NL, is raising additional equity capital to fund its on going operations. As a result, Lion's current interest in Indophil has been diluted to 67%. The full extent of the dilution will not be known until Indophil's capital raising is complete.
- Lion announced that it had agreed to sell the majority of its investment in Consolidated Minerals Limited realising a profit of up to \$7.5 million.



## NOTE 31 SEGMENT INFORMATION

The economic entity operates predominantly in two industries being investment and exploration and in three geographical areas being Australia, Africa and South East Asia.

	Segment Revenue		Segment Result		Segment Assets	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Industry segment						
Investment	4,654	4,471	(333)	(1,998)	52,293	46,921
Exploration	-	45	(1,894)	(666)	7,111	6,218
Unallocated	2,335 *	2,845 *	(65)	532	36,912 **	45,337 **
Consolidated	6,989	7,361	(2,292)	(2,132)	96,316	98,476
Geographical segment						
Australia	5,842	6,792	(1,438)	(371)	57,244	74,794
Africa	1,055	569	307	(1095)	24,452	18,982
South East Asia	92	-	(1,161)	(666)	14,620	4,700
Consolidated	6,989	7,361	(2,292)	(2,132)	96,316	98,476

\* Interest earned on funds awaiting investment.

\*\* Predominantly cash held by parent entity not yet invested.



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## **Lion Selection Group Limited Declaration of the Directors**

The directors of Lion Selection Group Limited hereby declare that:

- (a) The financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views.
- (b) The financial statements and notes give a true and fair view of the financial position as at 31 July 2000 and performance of the company and economic entity for the year then ended.
- (c) In the directors' opinion:
  - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - (ii) the financial statements and the notes are in accordance with the Corporations Law, including sections 296 and 297.

This declaration has been made in Melbourne on 23 October 2000 in accordance with a resolution of the directors.

.....  
Signed on behalf of the directors  
R A Widdup  
Managing Director



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## Independent Audit Report

To the Members of Lion Selection Group Limited:

### Scope

We have audited the financial report of Lion Selection Group Limited for the financial year ended 31 July 2000, as set out on pages 7 to 31. The financial report includes the consolidated financial statements of the consolidated entity comprising Lion Selection Group Limited and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of Lion Selection Group Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the company and the consolidated entity's financial position as at 31 July, 2000, and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Arthur Andersen  
Chartered Accountants

Tim Wallace  
Partner

23 October 2000  
Melbourne, Victoria





## Shareholder Information

### Twenty Largest Shareholders as at 12 October 2000

Name	No of shares	%
National Nominees Limited	13,916,831	13.90
BT Custodial Services Pty Limited	7,299,352	7.29
Queensland Investment Corporation	5,155,271	5.15
Mr Mark Creasy	5,000,000	4.99
NRMA Nominees Pty Limited	5,000,000	4.99
Westpac Custodian Nominees Limited	4,425,000	4.42
Citicorp Nominees Pty Limited	3,954,218	3.95
Invia Custodian Pty Limited <Jasper A/C>	3,593,933	3.59
Orica Securities Pty Limited	3,040,000	3.04
Invia Custodian Pty Limited <500 A/C>	2,500,000	2.50
Invia Custodian Pty Limited <600 A/C>	2,500,000	2.50
Suncorp General Insurance Limited	2,425,900	2.42
Ms Susan Murphy	1,444,054	1.44
Viking Holdings Limited	1,000,000	1.00
Best Superannuation Pty Limited	500,000	0.50
Cotswold Investments Pty Limited	500,000	0.50
Mr Paul Murphy	443,013	0.44
ANZ Nominees Limited	438,700	0.44
WereSyd Proprietary Limited	400,000	0.40
Mr Robin and Mrs Janet Widdup	346,500	0.35
<b>Total</b>	<b>63,882,772</b>	<b>63.81</b>



### Distribution of Shareholdings as at 12 October 2000

Size of holding	Number of shareholders
1 to 1,000	62
1,001 to 5,000	1,159
5,001 to 10,000	687
10,001 to 100,000	676
100,001 and over	46
<b>Total shareholders</b>	<b>2,630</b>
Number of ordinary shareholders with less than a marketable parcel	24

### Directors', Officers' and Manager's Shareholding

The total number of shares held by directors, officers and staff of the Company and the Manager was 1,373,400 shares.

These shares have been bought on market or during the company's float.

### Voting Rights

All ordinary shares issued by Lion Selection Group Limited carry one vote per share without restriction.

### Substantial Shareholders as at 12 October 2000

The following information is extracted from notices received by the Company.

Name	Number of ordinary shares
Portfolio Partners Limited	8,821,742
Unisuper Ltd	7,350,000
Queensland Investment Corporation	5,050,000



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## Corporate Directory

### Registered and Principal Office

Level 4  
15 Queen Street  
Melbourne VIC 3000

Tel: (03) 9614 8008  
Int: +61 3 9614 8008  
Fax: (03) 9614 8009

Email: [lionselection@lsg.com.au](mailto:lionselection@lsg.com.au)  
Website: [www.lionselection.com.au](http://www.lionselection.com.au)

### Share Registry

Computershare Registry Services Pty Limited  
Level 12  
565 Bourke Street  
Melbourne VIC 3000

Tel: (03) 9611 5711  
Int: +61 3 9611 5711  
Fax: (03) 9611 5710

### Directors

Ewen W J Tyler AM, Chairman  
Robin A Widdup, Managing Director  
Malcolm W MacNaught, Director  
J John Craig, Director

### Company Secretary

Paul R Taylor